



Meeting Minnesota's Workforce Housing Needs

The Economic Development and Housing Challenge Fund (Challenge Fund) is designed to meet the housing needs of workforce communities across the state. Nearly all working households in these communities fit income guidelines for this flexible, proven and feasible affordable housing program.

The Challenge Fund can meet this need through loans for the construction, acquisition, rehabilitation or permanent financing; interest rate reduction; refinancing and gap financing. It provides the infrastructure to serve the vast majority of these working households through both affordable rental and homeownership options.

What is the housing need?

In our recovering Minnesota economy, we have shortages of all types of housing and households are paying too much. In 2014, nearly 575,000 Minnesotans were cost burdened, paying more than 30% of their income for housing.

In many Greater Minnesota communities jobs are plentiful but employers are having a difficult time recruiting and retaining employees because of this housing shortage. Minnesota Housing and the Department of Employment and Economic Development are working together to identify these workforce hotspots across the state and deploy resources. Historically lower rents in Greater Minnesota can't support construction and operating costs, leaving a gap that makes traditional financing difficult.

What is Workforce Housing?

- Affordable to the local workforce
- Within 10 miles of a city with job growth
- Within 10 miles of a long commute community
- Includes both rental and homeownership

Governor's Challenge Fund Budget Recommendations

Base: \$25.8 million

Supplemental Budget: \$10 million

Total: \$35.8 million

How many new rental units are needed?

4,500-7,500 additional rental units are needed to bring the vacancy rate from 2.5% to 4.0-5.0% in the 77 communities with workforce housing needs (see map on back).

What are the characteristics of our workforce communities?

\$27,000 *Typical renter household income*

\$62,000 *Challenge Fund renter household income limits*

\$68,000 *Typical homeowner household income*

\$89,000 *Challenge Fund homeowner household income limits*

95% *Typical new hires in workforce communities with wages below \$58,000*

The Challenge Fund is: **flexible, proven, affordable** and **feasible**.

- mixed income new construction in Roseau,
- land trust developments in Worthington and Jackson,
- single family ownership in Thief River Falls, and
- large family units in Austin.

- Proven** – The Challenge Fund can quickly allocate funding to provide diverse housing solutions across the state without creating a new program. The first Governor’s Housing and Job Growth Initiative utilized the Challenge Fund and awarded \$10 million over the last two years (60% to Greater Minnesota and 40% to Metro developments) to ensure that job growth is not hindered by a lack of housing. The initiative is leveraging employer contributions, philanthropic dollars, and direct investment from local communities around the state.

- Affordable** – 95% of all jobs in each of the 77 workforce housing communities identified on this map meet the income threshold for the Challenge Fund. Using this resource ensures the housing development is affordable to the local workforce for many years to come.
- Feasible** – The Challenge Fund would help fix the housing problem. It leverages other resources and incents employers and local government contributions to make the per unit cost reasonable and it doesn’t restrict access to other sources of financing.

